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**CITY OF HARRAHAN, LOUISIANA**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

7/28/10



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**CITY OF HARRAHAN, LOUISIANA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**CITY OF HARAHAN, LOUISIANA**

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## Independent Auditors' Report

The Honorable Mayor and City Council  
City of Harahan, Louisiana:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harahan, Louisiana, (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information for the City as of December 31, 2009 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 37 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying financial information as listed in the Table of Contents as Supplemental Information Schedule 3, page 39 is presented for purposes of additional analysis and is not a required part of the government financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the government financial statements and the combining and individual fund financial statements and schedules, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Poellethwaite + Vetterville*

Metairie, Louisiana  
June 30, 2010



**CITY OF HARRAHAN, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2009**

As financial management of the City government, we offer readers of this financial statement an overview and analysis of the financial activities of the City of Harahan, Louisiana. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the government's financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. It should be read in conjunction with the financial statements that begin with Statement A.

**FINANCIAL HIGHLIGHTS**

- Assets of the City's government exceeded its liabilities at the close of the most recent fiscal year by \$2,724,442 (*net assets*).
- As of the close of the current fiscal year, the government's governmental funds reported combined ending fund balance of \$2,161,212.
- At December 31, 2009, unreserved fund balance for the General Fund was \$1,345,932, or 49% of total 2009 General Fund expenditures. As of the close of the current fiscal year, the government's governmental funds reported combined ending fund balance of \$2,161,212.
- The intergovernmental revenue of \$873,526, as reported on the governmental fund financial statements includes \$402,124 of FEMA reimbursements that were received in fiscal year 2009 and \$175,271 of parish transportation reimbursements. Included on the statement of changes in net assets are general government-FEMA expenditures of \$45,587.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

With the implementation of Governmental Accounting Standards Board Statement 34, a government's presentation of financial statements has been greatly changed. The new statements focus on the government as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance the City's accountability.

**Government-Wide Financial Statements**

The government-wide financial statements (see Statement A and B) are designed to be similar to those of *private sector businesses in that all governmental and business-type activities are consolidated into columns which add to a total for the government*. The statements combine all governmental funds' current financial resources with capital assets and long-term obligations. Also presented in the government-wide financial statements is a total column for the business-type activities of the government.

The Statement of Net Assets (Statement A) presents information on all the government's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities (Statement B) presents information showing how the government's net assets changed during the most recent fiscal year.

**CITY OF HARRAHAN, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2009**

All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods. For example, uncollected taxes and earned but unused vacation leave result in cash flows for future periods. The focus of the Statement of Activities is on both the gross and net cost of various activities which are funded by the City's general tax and other revenues. This statement is intended to summarize information and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

The governmental activities reflect the City's basic services including general government services (executive, legislative, judicial), public safety (fire and police), public works (sanitation and street and road maintenance), recreation, and intergovernmental services.

These services are financed primarily with taxes. The business-type activities reflect private sector type operations (sewer district) where the fee for service typically covers all or most of the cost of operations, including depreciation.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types.

*Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Governmental Major Fund (see Statement C and E) presentation is presented on a modified accrual basis. This is the manner in which the financial plan is typically developed excluding certain timing differences between the budget basis and the generally accepted accounting principles (GAAP) basis. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements. The City has presented the General Fund, Sales Tax Fund, Bond Sinking Fund, and Bond Reserve Fund as major funds. The one non-major governmental fund is presented in one column, titled Capital Projects Fund. Combining financial statements of the non-major funds can be found in the Combining and Individual Fund Statements that follow the basic financial statements.

*Proprietary Funds* encompass the enterprise fund on the fund financial statements. The Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Proprietary fund of the City is the Sewer District fund.

Fund financial statements also allow the City to present *fiduciary funds*. While these funds represent a trust responsibility, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide financial statements.

While the activity reported on the business-type fund financial statements for enterprise funds (see Statement

**CITY OF HARRAHAN, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2009**

H) is the same as the business-type column at the government-wide financial statement, the governmental major funds total column requires a reconciliation between government and government-wide because of the different measurement focus which is reflected on the page following each statement (see Statements D and F). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financing sources and will show capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the governmental activities column in the government-wide statements.

**Capital Assets**

General capital assets include land, improvements to land, buildings, transportation equipment, other equipment, computer equipment, furniture and fixtures, and all other tangible assets that are used in operations which have initial useful lives greater than two years and exceed the government's capitalization threshold (see Financial Statement Note 1(f)). The City has capitalized all purchased general capital assets. Infrastructure assets (those placed into the government's maintenance through contributions from private development) have not been capitalized in this financial presentation for the years 1980 through 2002. Governmental Accounting Standards Board Statement No. 34 allows the City a transitional period for reporting infrastructure assets purchased prior to 2003 until 2007. Prior to the implementation of the new reporting model, no depreciation is charged on general capital assets.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning major fund budgetary comparisons. Required supplementary information can be found at Schedules 1 and 2.

**CITY OF HARRAHAN, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2009**

**Government-Wide Financial Analysis**

The following table reflects the condensed Statement of Net Assets for 2009:

**City of Harahan, Louisiana**  
**Condensed Statement of Net Assets**  
**December 31, 2009**

|                            | Governmental<br>Activities | Business-<br>Type<br>Activities | Total               |
|----------------------------|----------------------------|---------------------------------|---------------------|
| <b>Assets:</b>             |                            |                                 |                     |
| Current and Other Assets   | \$ 2,876,532               | \$ 66,361                       | \$ 2,942,893        |
| Restricted Assets          | 685,213                    | -                               | 685,213             |
| Capital Assets             | 2,809,450                  | 2,537,100                       | 5,346,550           |
| Total Assets               | <u>6,371,195</u>           | <u>2,603,461</u>                | <u>8,974,656</u>    |
| <b>Liabilities:</b>        |                            |                                 |                     |
| Current Liabilities        | 1,317,445                  | 143,236                         | 1,460,681           |
| Long-Term Liabilities      | 4,789,533                  | -                               | 4,789,533           |
| Total Liabilities          | <u>6,106,978</u>           | <u>143,236</u>                  | <u>6,250,214</u>    |
| <b>Net Assets:</b>         |                            |                                 |                     |
| Invested in Capital Assets |                            |                                 |                     |
| Net of Debt                | 2,520,228                  | 2,537,100                       | 5,057,328           |
| Restricted                 | 573,368                    | -                               | 573,368             |
| Unrestricted               | (2,829,379)                | (76,875)                        | (2,906,254)         |
| Total Net Assets           | <u>\$ 264,217</u>          | <u>\$ 2,460,225</u>             | <u>\$ 2,724,442</u> |

For more detailed information see Statement A, the Statement of Net Assets. Approximately \$5,057,000 of the City's net assets as of December 31, 2009, reflects the government's investment in capital assets (land, buildings, infrastructure, transportation equipment, other equipment, computer equipment, and furniture and fixtures) less any related outstanding debt used to acquire those assets. The City government uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Another \$573,368 of the government's net assets is subject to external restrictions on how those assets may be used, such as sales tax approved by the electorate for specific purposes.

The table on the next page provides a summary of the changes in net assets for the year ended December 31, 2009:

**CITY OF HARRAHAN, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2009**

**City of Harahan, Louisiana**  
**Condensed Statement of Activities**  
**For the Year Ended December 31, 2009**

|  | Governmental<br>Activities | Business-<br>Type<br>Activities | Total               |
|--|----------------------------|---------------------------------|---------------------|
| Revenues:  |                            |                                 |                     |
| Program Revenue:                                       |                            |                                 |                     |
| Charges for Services                                   | \$ 1,443,959               | \$ 419,016                      | \$ 1,862,975        |
| Operating Grants and Contributions                     | 541,936                    | -                               | 541,936             |
| Capital Grants and Contributions                       | 97,392                     | -                               | 97,392              |
| General Revenue:                                       |                            |                                 |                     |
| Ad valorem (property) taxes                            | 999,552                    | 202,247                         | 1,201,799           |
| Sales and use taxes                                    | 1,389,266                  | -                               | 1,389,266           |
| Other State Revenue not Restricted to Specific Program | 171,833                    | -                               | 171,833             |
| Fines, forfeitures, and other                          | 734,164                    | -                               | 734,164             |
| Interest income  | 15,950                     | -                               | 15,950              |
| Loss on disposal of equipment                          | (6,608)                    | -                               | (6,608)             |
| Transfers between general fund and sewer fund          | (100,000)                  | 100,000                         | -                   |
| Miscellaneous  | 167,831                    | -                               | 167,831             |
| Total Revenues   | <u>5,455,275</u>           | <u>721,263</u>                  | <u>6,176,538</u>    |
| Expenses:  |                            |                                 |                     |
| General Government - FEMA                              | 45,587                     | -                               | 45,587              |
| General Government - other                             | 1,347,088                  | -                               | 1,347,088           |
| Public Safety  | 2,594,440                  | -                               | 2,594,440           |
| Public Works   | 308,732                    | -                               | 308,732             |
| Sewer  | -                          | 386,045                         | 386,045             |
| Sanitation   | 651,228                    | -                               | 651,228             |
| Recreation   | 270,419                    | -                               | 270,419             |
| Interest and Fiscal Charges                            | 186,688                    | -                               | 186,688             |
| Depreciation   | 451,482                    | 123,395                         | 574,877             |
| Amortization   | 8,664                      | -                               | 8,664               |
| Total Expenses   | <u>5,864,328</u>           | <u>509,440</u>                  | <u>6,373,768</u>    |
| Increase (decrease) in Net Assets                      | <u>(409,053)</u>           | <u>211,823</u>                  | <u>(197,230)</u>    |
| Net Assets as restated, January 1                      | <u>673,270</u>             | <u>2,248,402</u>                | <u>2,921,672</u>    |
| Net Assets, December 31                                | <u>\$ 264,217</u>          | <u>\$ 2,460,225</u>             | <u>\$ 2,724,442</u> |

**CITY OF HARRAHAN, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2009**

The government's net assets decreased \$197,230 during the current year. *Governmental Activities* net assets decreased \$409,053 in 2009, primarily due to:

- (1) Economic conditions reduced Sales and Use Tax revenues \$235,800 and reduced Fines, Forfeitures, and Other revenues \$161,333.
- (2) A decrease of \$190,000 in bonds payable due to principal payment during the year.

*Business Type Activities'* net assets increased \$211,823 in 2009. Charges for services were \$419,016 and property tax revenue was \$202,247. Sewer and sewer related expenses totaled \$509,440 in 2009.

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds:* The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the government's governmental funds reported combined ending fund balances of \$2,161,212, a decrease of \$552,327 in comparison with the prior year. Certain balances in the fund balance are *reserved* to indicate that it is not available for new spending because it has already been committed to: (1) designated for capital projects (\$179,381), (2) payment of debt service (\$573,368), or (3) prepaid insurance (\$47,006).

The General Fund is the chief operating fund of the City of Harahan, Louisiana. At the end of the current fiscal year, fund balance of the General Fund was \$1,392,938, which included an unreserved and undesignated balance of \$1,345,932 and \$47,006 reserved for prepaid insurance. The fund balance of the General Fund at the end of 2008 as restated was \$2,043,020.

The fund balance of the Sales Tax Fund decreased from \$15,669 to \$15,525. The decrease was a result of the sales tax revenue being less than transfers to the General fund and Bond Sinking fund in 2009. Sales tax receipts of \$1,389,266 received during 2009 were transferred to the General fund (\$841,194) and the Bond Sinking fund (\$548,072).

**CITY OF HARRAHAN, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2009**

The fund balance of the Bond Sinking fund increased from \$194,784 to \$226,069. The Bond Sinking fund increased \$31,285 resulting from sales tax revenue being more than the transfers to the General fund and principal and interest payments.

The fund balance of the Bond Reserve fund increased from \$345,917 to \$347,299. The Bond Reserve fund increased \$1,382 resulting from interest income.

*Proprietary Funds:* The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Sewer Fund (Enterprise Fund) at December 31, 2009 totaled \$2,460,225. The Fund had unrestricted net assets of (\$76,875) and net assets of \$2,537,100 invested in capital assets, net of related debt. The fund received revenue from charges for services of \$419,016 and property tax revenues of \$202,247. General operating expenditures of the fund was \$386,045 and depreciation totaled \$123,395.

**General Fund Budgetary Highlights**

The City approved the final budget revision in December 2009. Budgeted revenues for 2009 of \$4,333,062 were higher than the prior year budgeted revenues of \$4,227,975 due to an increase in budget amounts in the current year for ad valorem tax revenues. Budgeted expenditures for 2009 of \$5,371,442 were less than the prior year budgeted expenditures of \$5,458,954 primarily due to:

- General Government – FEMA expenditures related to Hurricanes Katrina and Gustav decreased \$331,784, offset by current year capital project expenditures.
- General Government – Other expenditures related to various Grants decreased \$106,322.

Material differences between actual results and final amended budgeted amounts are as follows:

- Fines and Forfeitures revenue of \$734,164 is less than the budgeted amount of \$780,000 due to fewer public safety citations being written.
- Other revenue of \$167,831 is more than the budgeted amount of \$54,000 due to \$84,462 fire insurance proceeds received from Travelers; \$16,350 received from rental of office space; \$16,297 received from auction proceeds. None of these items were included in the budgeted amounts.
- Operating Transfers In of \$1,001,465 is less than the budgeted amount of \$1,200,000 due to reduced Sales Tax revenue resulting from difficult economic conditions.
- Operating Transfers Out of \$598,934 is more than the budgeted amount of \$330,000 due to funding transfers to various Capital Projects including street repairs and building repairs and maintenance.

**CITY OF HARRAHAN, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2009**

**Capital Asset and Debt Administration**

**Capital Assets:** The City of Harahan Government's investment in capital assets for its governmental and business type activities as of December 31, 2009, amounts to \$5,346,550 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, transportation equipment, computer equipment, other equipment, and furniture and fixtures. The total increase in the City's investment in capital assets for the current fiscal year was \$245,753 a 9.6% increase for governmental activities. For business-type activities, capital assets decreased \$105,939 or 4.0%.

**City of Harahan, Louisiana**  
**Capital Assets (Net of Depreciation)**  
**December 31, 2009**

|                                       | Governmental<br>Activities | Business-<br>type<br>Activities | Total               |
|---------------------------------------|----------------------------|---------------------------------|---------------------|
| Land, land improvement, and buildings | \$ 2,796,687               | \$ 13,727                       | \$ 2,810,414        |
| Infrastructure                        | 648,030                    | -                               | 648,030             |
| Sewer treatment plant and system      | -                          | 5,111,518                       | 5,111,518           |
| Transportation equipment              | 1,760,879                  | 26,230                          | 1,787,109           |
| Other equipment                       | 1,004,272                  | -                               | 1,004,272           |
| Furniture and fixtures                | 58,722                     | -                               | 58,722              |
| Computer equipment                    | 307,441                    | -                               | 307,441             |
|                                       | <u>6,576,031</u>           | <u>5,151,475</u>                | <u>11,727,506</u>   |
| Less: Accumulated Depreciation        | <u>(3,766,581)</u>         | <u>(2,614,375)</u>              | <u>(6,380,956)</u>  |
|                                       | <u>\$ 2,809,450</u>        | <u>\$ 2,537,100</u>             | <u>\$ 5,346,550</u> |

Major capital asset events during the current fiscal year included the following:

- Purchase of other equipment of \$52,747 including pagers, barricades, taser units, jack hammer, and police armor.
- Renovations to the City Buildings for \$206,285
- Purchase of six new police cars for \$14,680
- Street improvements of \$423,559

Additional information on the City's capital assets can be found in Note 6 of this report.

**CITY OF HARRAHAN, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2009**

**Long-Term Debt:** At the end of the current fiscal year, the City had total bonded debt outstanding of \$3,495,000. The debt represents bonds secured by specified revenue sources such as the general sales tax. The amount due on the Special Community Disaster Loan is \$700,000 at December 31, 2009 and 2008. During 2010, the City submitted its application for forgiveness of the CDL loan to FEMA. As of the report date, the CDL loan forgiveness application is still in process. Additional information on debt administration can be found in Note 7 of this report.

**Economic Factors and Next Year's Budget and Rates**

The City generally receives approximately 25% of its revenues from sales tax levied by the City and 18% from ad valorem taxes; therefore, economic indicators are very important in forming the budget estimates for the City funds. Revenue assumptions are reviewed by the City Council and the Mayor. The uncertainties of the national, state and local economy requires prudent budgeting by the City's elected officials. The City continues to apply for federal and state grants in order to improve the quality of life for the people of the City.

**Requests For Information**

This financial report is designed to provide a general overview of the finances of the City of Harahan, Louisiana, for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Mayor 6437 Jefferson Highway, Harahan, Louisiana, 70123.

## CITY OF HARAHAN, LOUISIANA

## Statement of Net Assets

December 31, 2009

|   | <b>Governmental<br/>Activities</b> | <b>Business Type<br/>Activities</b> | <b>Total</b>        |
|---|------------------------------------|-------------------------------------|---------------------|
| <b>Assets:</b>                                  |                                    |                                     |                     |
| Cash  | \$ 2,346,276                       | \$ 15,523                           | \$ 2,361,799        |
| Receivables                                     | 366,700                            | 50,838                              | 417,538             |
| Prepays and other assets                        | 55,020                             | -                                   | 55,020              |
| Deferred finance fees                           | 60,200                             | -                                   | 60,200              |
| Restricted assets:                              |                                    |                                     |                     |
| Cash  | 685,213                            | -                                   | 685,213             |
| Capital assets, net of depreciation:            | 2,809,450                          | 2,537,100                           | 5,346,550           |
| Other   | 48,336                             | -                                   | 48,336              |
| <b>Total assets</b>                             | <b>\$ 6,371,195</b>                | <b>\$ 2,603,461</b>                 | <b>\$ 8,974,656</b> |
| <b>Liabilities:</b>                             |                                    |                                     |                     |
| Accounts, salaries and other payables           | \$ 330,767                         | \$ 143,236                          | \$ 474,003          |
| Deferred revenues                               | 886,766                            | -                                   | 886,766             |
| Interest payable                                | 99,912                             | -                                   | 99,912              |
| Long term liabilities                           |                                    |                                     |                     |
| Due within one year                             | 254,682                            | -                                   | 254,682             |
| Due after one year                              | 4,534,851                          | -                                   | 4,534,851           |
| <b>Total liabilities</b>                        | <b>\$ 6,106,978</b>                | <b>\$ 143,236</b>                   | <b>\$ 6,250,214</b> |
| <b>Net Assets:</b>                              |                                    |                                     |                     |
| Invested in capital assets, net of related debt | \$ 2,520,228                       | \$ 2,537,100                        | \$ 5,057,328        |
| Restricted for debt service                     | 573,368                            | -                                   | 573,368             |
| Unrestricted                                    | (2,829,379)                        | (76,875)                            | (2,906,254)         |
| <b>Total net assets</b>                         | <b>\$ 264,217</b>                  | <b>\$ 2,460,225</b>                 | <b>\$ 2,724,442</b> |

See accompanying notes to financial statements.

## CITY OF HARAHAN, LOUISIANA

## Statement of Activities

For the year ended December 31, 2009

| Functions/Programs                                      |                     |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Assets |                          |                       |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
|   | Expenses            | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                         | Business-type Activities | Total                 |
| <b>Governmental Activities:</b>                         |                     |                      |                                    |                                  |   |                          |                       |
| General government - FEMA                               | \$ 45,587           | \$ -                 | \$ -                               | \$ -                             | \$ (45,587)                                     | \$ -                     | \$ (45,587)           |
| General government - other                              | 1,347,088           | 860,380              | 520,237                            | 95,000                           | 128,529   | -                        | 128,529               |
| Public safety - police                                  | 1,659,097           | -                    | 21,699                             | 2,392                            | (1,635,006)                                     | -                        | (1,635,006)           |
| Public safety - fire                                    | 935,343             | 59,088               | -                                  | -                                | (876,255)                                       | -                        | (876,255)             |
| Public works  | 308,732             | -                    | -                                  | -                                | (308,732)                                       | -                        | (308,732)             |
| Sanitation  | 651,228             | 524,491              | -                                  | -                                | (126,737)                                       | -                        | (126,737)             |
| Recreation  | 270,419             | -                    | -                                  | -                                | (270,419)                                       | -                        | (270,419)             |
| Interest and fiscal charges                             | 186,688             | -                    | -                                  | -                                | (186,688)                                       | -                        | (186,688)             |
| Depreciation  | 451,481             | -                    | -                                  | -                                | (451,481)                                       | -                        | (451,481)             |
| Amortization  | 8,664               | -                    | -                                  | -                                | (8,664)   | -                        | (8,664)               |
| Total governmental activities                           | <u>5,864,327</u>    | <u>1,443,959</u>     | <u>541,936</u>                     | <u>97,392</u>                    | <u>(3,781,040)</u>                              | <u>-</u>                 | <u>(3,781,040)</u>    |
| <b>Business-Type Activities:</b>                        |                     |                      |                                    |                                  |   |                          |                       |
| Sewer   | 509,440             | 419,016              | -                                  | -                                | -   | (90,424)                 | (90,424)              |
| Total business-type activities                          | <u>509,440</u>      | <u>419,016</u>       | <u>-</u>                           | <u>-</u>                         | <u>-</u>  | <u>(90,424)</u>          | <u>(90,424)</u>       |
| <b>Total governmental activities</b>                    | <u>\$ 6,373,767</u> | <u>\$ 1,862,975</u>  | <u>\$ 541,936</u>                  | <u>\$ 97,392</u>                 | <u>\$ (3,781,040)</u>                           | <u>\$ (90,424)</u>       | <u>\$ (3,871,464)</u> |
| <b>General revenues</b>                                 |                     |                      |                                    |                                  |   |                          |                       |
| Taxes:  |                     |                      |                                    |                                  |   |                          |                       |
| Ad valorem (property) taxes                             |                     |                      |                                    |                                  | 999,552   | 202,247                  | 1,201,799             |
| Sales and use taxes                                     |                     |                      |                                    |                                  | 1,389,266                                       | -                        | 1,389,266             |
| Other funding sources, including grants:                |                     |                      |                                    |                                  |   |                          |                       |
| Fines, forfeitures and other                            |                     |                      |                                    |                                  | 734,164   | -                        | 734,164               |
| Other state revenue not restricted to specific programs |                     |                      |                                    |                                  | 171,833   | -                        | 171,833               |
| Interest and investment earnings                        |                     |                      |                                    |                                  | 15,950  | -                        | 15,950                |
| Loss on disposal of equipment                           |                     |                      |                                    |                                  | (6,608)   | -                        | (6,608)               |
| Transfers between the general fund and sewer fund       |                     |                      |                                    |                                  | (100,000)                                       | 100,000                  | -                     |
| Miscellaneous   |                     |                      |                                    |                                  | 167,830   | -                        | 167,830               |
| Total general revenues                                  |                     |                      |                                    |                                  | <u>3,371,987</u>                                | <u>302,247</u>           | <u>3,674,234</u>      |
| Changes in net assets                                   |                     |                      |                                    |                                  | (409,053)                                       | 211,823                  | (197,230)             |
| Net assets, as restated beginning of year               |                     |                      |                                    |                                  | <u>673,270</u>                                  | <u>2,248,402</u>         | <u>2,921,672</u>      |
| Net assets, end of year                                 |                     |                      |                                    |                                  | <u>\$ 264,217</u>                               | <u>\$ 2,460,225</u>      | <u>\$ 2,724,442</u>   |

See accompanying notes to financial statements

## CITY OF HARAHAN, LOUISIANA

## Governmental Funds - Balance Sheet

December 31, 2009

|                                       | Major Fund Types |                   |                           |                           |                          | Total        |
|---------------------------------------|------------------|-------------------|---------------------------|---------------------------|--------------------------|--------------|
|                                       | General          | Sales tax<br>Fund | Sales Tax<br>Bond Sinking | Sales Tax<br>Bond Reserve | Capital<br>Projects Fund |              |
| <b>ASSETS</b>                         |                  |                   |                           |                           |                          |              |
| Cash                                  | \$ 1,986,332     | \$ 27,262         | \$ 345,355                | \$ 339,858                | \$ 332,682               | \$ 3,031,489 |
| Receivables                           | 263,769          | 62,217            | 40,714                    | -                         | -                        | 366,700      |
| Due from other funds                  | 367,847          | -                 | -                         | -                         | -                        | 367,847      |
| Prepaid insurance                     | 47,006           | -                 | -                         | 8,014                     | -                        | 55,020       |
| Total assets                          | \$ 2,664,954     | \$ 89,479         | \$ 386,069                | \$ 347,872                | \$ 332,682               | \$ 3,821,056 |
| <b>LIABILITIES AND FUND BALANCES</b>  |                  |                   |                           |                           |                          |              |
| <b>LIABILITIES</b>                    |                  |                   |                           |                           |                          |              |
| Accounts payable                      | \$ 166,220       | \$ -              | \$ -                      | \$ -                      | \$ 19,981                | \$ 186,201   |
| Accrued salaries                      | 144,566          | -                 | -                         | -                         | -                        | 144,566      |
| Deferred revenue                      | 961,230          | -                 | -                         | -                         | -                        | 961,230      |
| Due to other funds                    | -                | 73,954            | 160,000                   | 573                       | 133,320                  | 367,847      |
| Total liabilities                     | 1,272,016        | 73,954            | 160,000                   | 573                       | 153,301                  | 1,659,844    |
| <b>FUND BALANCES</b>                  |                  |                   |                           |                           |                          |              |
| Reserved for prepaid insurance        | 47,006           | -                 | -                         | -                         | -                        | 47,006       |
| Reserved for debt service             | -                | -                 | 226,069                   | 347,299                   | -                        | 573,368      |
| Unreserved and designated for capital | -                | -                 | -                         | -                         | 179,381                  | 179,381      |
| Unreserved and undesignated           | 1,345,932        | 15,525            | -                         | -                         | -                        | 1,361,457    |
| Total fund balances                   | 1,392,938        | 15,525            | 226,069                   | 347,299                   | 179,381                  | 2,161,212    |
| Total liabilities and fund balances   | \$ 2,664,954     | \$ 89,479         | \$ 386,069                | \$ 347,872                | \$ 332,682               | \$ 3,821,056 |

See accompanying notes to financial statements.

## CITY OF HARAHAN, LOUISIANA

## Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Assets

December 31, 2009

|  |    |           |
|--|----|-----------|
| Total fund balances – governmental funds | \$ | 2,161,212 |
|--|----|-----------|

The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the Parish as a whole. The cost of those assets is allocated over their estimated useful lives (as depreciation expense) to the various programs and reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

|                          |                    |           |
|--------------------------|--------------------|-----------|
| Cost of capital assets   | \$ 6,576,031       |           |
| Accumulated depreciation | <u>(3,766,581)</u> | 2,809,450 |

The cost of bond issuance is reported as an expenditure in governmental funds, but is included as governmental activities in the government wide financial statement

|   |                  |        |
|---|------------------|--------|
| Bond issuance costs - 1999 and 2006 bond issues | 178,035          |        |
| Accumulated amortization of bond issuance costs | <u>(117,835)</u> | 60,200 |

Change in revenue accruals – Under modified accrual basis of accounting, revenues are not recognized unless they are deemed “available” to finance the expenditures of the current period. Accrual basis recognition is not limited to availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net increase in revenues relating to FEMA activity.

|                 |          |
|-----------------|----------|
| <u>74,464</u>   | 74,464   |
| <u>(99,912)</u> | (99,912) |

Accrual basis recognition of interest expenditures

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All Liabilities – both current and long-term – are reported in the Statement of Net Assets.

Balances at December 31, 2009 are:

|   |                  |             |
|---|------------------|-------------|
| Bonds payable                             | (3,495,000)      |             |
| Bond discount - 1999 and 2006 bond issues | 93,685           |             |
| Accumulated amortization of bond discount | (45,349)         |             |
| Special Community Disaster Loan payable   | (700,000)        |             |
| Capital lease payable                     | (289,224)        |             |
| Compensated absences                      | <u>(305,309)</u> | (4,741,197) |

|                                      |    |                |
|--------------------------------------|----|----------------|
| Net assets – governmental activities | \$ | <u>264,217</u> |
|--------------------------------------|----|----------------|

See accompanying notes to financial statements.

## CITY OF HARAHAN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in  
Fund Balances - All Governmental Fund Types

For the year ended December 31, 2009

|   | Major Fund Types |                   |                           |                           |            | Capital Projects<br>Fund | Total        |
|---|------------------|-------------------|---------------------------|---------------------------|------------|--------------------------|--------------|
|   | General          | Sales tax<br>Fund | Sales Tax<br>Bond Sinking | Sales Tax<br>Bond Reserve |            |                          |              |
| <b>REVENUES</b>   |                  |                   |                           |                           |            |                          |              |
| Taxes   |                  |                   |                           |                           |            |                          |              |
| Ad valorem  | \$ 998,552       | \$ -              | \$ -                      | \$ -                      | \$ -       |                          | \$ 998,552   |
| Sales and Use   | -                | 1,389,266         | -                         | -                         | -          |                          | 1,389,266    |
| Intergovernmental   | 873,526          | -                 | -                         | -                         | -          |                          | 873,526      |
| Fees, licenses and permits  | 860,380          | -                 | -                         | -                         | -          |                          | 860,380      |
| Fines and forfeitures   | 734,164          | -                 | -                         | -                         | -          |                          | 734,164      |
| Charges for services  | 583,579          | -                 | -                         | -                         | -          |                          | 583,579      |
| Gaming revenue  | 171,833          | -                 | -                         | -                         | -          |                          | 171,833      |
| Interest income   | 13,124           | 127               | 1,317                     | 1,382                     | -          |                          | 15,950       |
| Other   | 167,831          | -                 | -                         | -                         | -          |                          | 167,831      |
| Total revenues  | 4,403,989        | 1,389,393         | 1,317                     | 1,382                     | -          |                          | 5,796,081    |
| <b>EXPENDITURES</b>   |                  |                   |                           |                           |            |                          |              |
| General government - FEMA   | 45,587           | -                 | -                         | -                         | -          |                          | 45,587       |
| General government - other  | 1,316,019        | -                 | -                         | -                         | 41,968     |                          | 1,357,987    |
| Public safety - police  | 1,661,023        | -                 | -                         | -                         | 22,221     |                          | 1,683,244    |
| Public safety - fire  | 973,700          | -                 | -                         | -                         | 599        |                          | 976,299      |
| Public works  | 301,717          | -                 | -                         | -                         | 17,739     |                          | 319,456      |
| Sanitation  | 635,848          | -                 | -                         | -                         | 15,380     |                          | 651,228      |
| Recreation  | 263,853          | -                 | -                         | -                         | 2,184      |                          | 268,037      |
| Debt service  | -                | -                 | 190,000                   | -                         | -          |                          | 190,000      |
| Redemption of bonds   | -                | -                 | 168,104                   | -                         | -          |                          | 168,104      |
| Interest and fiscal charges   | -                | -                 | -                         | -                         | -          |                          | -            |
| Capital outlay  | 254,835          | -                 | -                         | -                         | 418,984    |                          | 703,839      |
| Total expenditures  | 5,456,602        | -                 | 338,104                   | -                         | 549,075    |                          | 6,343,781    |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b>                                      | (1,052,613)      | 1,389,393         | (356,787)                 | 1,382                     | (549,075)  |                          | (567,700)    |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                  |                   |                           |                           |            |                          |              |
| Operating transfers in  | 1,001,463        | -                 | 548,072                   | -                         | 498,924    |                          | 2,048,471    |
| Operating transfers out   | (598,914)        | (1,389,337)       | (160,000)                 | -                         | -          |                          | (2,148,471)  |
| Total other financing sources (uses)  | 402,549          | (1,389,337)       | 388,072                   | -                         | 498,924    |                          | (100,000)    |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>AND OTHER SOURCES OVER<br/>EXPENDITURES AND OTHER USES</b> | (650,064)        | (144)             | 31,285                    | 1,382                     | (50,141)   |                          | (667,700)    |
| <b>FUND BALANCES - AS RESTATED<br/>BEGINNING OF YEAR</b>  | 2,043,020        | 15,660            | 194,784                   | 345,917                   | 229,522    |                          | 2,828,912    |
| <b>FUND BALANCES - END OF YEAR</b>  | \$ 1,392,956     | \$ 15,525         | \$ 226,069                | \$ 347,299                | \$ 179,381 |                          | \$ 2,161,212 |

## CITY OF HARAHAN, LOUISIANA

Reconciliation of the Governmental Funds' Statement of Revenues,  
Expenditures, and Changes in Fund Balance to the Statement of Activities

For the year ended December 31, 2009

|   |    |           |
|---|----|-----------|
| Total net changes in fund balances – governmental funds | \$ | (667,700) |
|---|----|-----------|

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the project.

|                               |    |                |         |
|-------------------------------|----|----------------|---------|
| Capital outlays               | \$ | 703,843        |         |
| Depreciation expense          |    | (451,481)      |         |
| Loss on disposal of equipment |    | <u>(6,608)</u> | 245,754 |

Bond issuance costs are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the term of the bond issue as amortization expense.

|  |    |                |         |
|--|----|----------------|---------|
| Amortization expense – bond issuance costs | \$ | <u>(6,770)</u> | (6,770) |
|--|----|----------------|---------|

Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of repayments and refunding of bonds payables and capital leases. Bond discount is reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the term of the bond issue as amortization expense.

|                                     |    |                |         |
|-------------------------------------|----|----------------|---------|
| Bond principal payments             | \$ | 190,000        |         |
| Amortization expense – bond premium |    | (1,894)        |         |
| Capital lease principal payments    |    | <u>112,745</u> | 300,851 |

Change in revenue accruals - Under modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance the expenditures of the current period. Accrual basis recognition is not limited to availability, so certain revenues (IFMA) not available for spending are recognized in the current year.

|    |                  |           |
|----|------------------|-----------|
| \$ | <u>(234,201)</u> | (234,201) |
|----|------------------|-----------|

Change in accrual basis recognition of interest expenditures

|    |                 |          |
|----|-----------------|----------|
| \$ | <u>(18,584)</u> | (18,584) |
|----|-----------------|----------|

In the Statement of Activities, certain operating expenses-compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick time earned exceeded the amounts used by \$28,403

|    |                 |                 |
|----|-----------------|-----------------|
| \$ | <u>(28,403)</u> | <u>(28,403)</u> |
|----|-----------------|-----------------|

Change in net assets of governmental activities

|    |                         |
|----|-------------------------|
| \$ | <u><u>(409,053)</u></u> |
|----|-------------------------|

See accompanying notes to financial statements.

**Statement G****CITY OF HARRAHAN, LOUISIANA****Proprietary Fund  
Statement of Net Assets**

December 31, 2009

|   | <u>Sewer<br/>Fund</u> |
|---|-----------------------|
| <b>ASSETS</b>                                   |                       |
| Cash  | \$ 15,523             |
| Accounts receivable                             | <u>50,838</u>         |
| Total current assets                            | <u>66,361</u>         |
| <b>PROPERTY, PLANT, AND EQUIPMENT</b>           |                       |
| Property, plant, and equipment, at cost         | 5,151,475             |
| Less: Accumulated depreciation                  | <u>(2,614,375)</u>    |
| Property, plant, and equipment, net             | <u>2,537,100</u>      |
| Total assets                                    | <u>\$ 2,603,461</u>   |
| <b>LIABILITIES AND NET ASSETS</b>               |                       |
| <b>LIABILITIES</b>                              |                       |
| Accounts and other payables                     | \$ <u>143,236</u>     |
| Total current liabilities                       | <u>143,236</u>        |
| Total liabilities                               | <u>143,236</u>        |
| <b>NET ASSETS</b>                               |                       |
| Invested in capital assets, net of related debt | 2,537,100             |
| Unrestricted                                    | <u>(76,875)</u>       |
| Total net assets                                | <u>2,460,225</u>      |
| Total liabilities and net assets                | <u>\$ 2,603,461</u>   |

See accompanying notes to financial statements.

**Statement H****CITY OF HARAHAN, LOUISIANA****Proprietary Fund  
Statement of Revenues, Expenses, and Changes in Fund Net Assets**

For the year ended December 31, 2009

|   | <u>Sewer<br/>Fund</u>      |
|---|----------------------------|
| <b>OPERATING REVENUES</b>                 |                            |
| Charges for service                       | <u>\$ 419,016</u>          |
| Total operating revenues                  | <u>419,016</u>             |
| <b>OPERATING EXPENSES</b>                 |                            |
| Contractual services                      | 336,371                    |
| Supplies, maintenance, and repairs        | 49,674                     |
| Depreciation                              | <u>123,395</u>             |
| Total operating expenses                  | <u>509,440</u>             |
| Operating loss                            | <u>(90,424)</u>            |
| <b>NON-OPERATING REVENUES</b>             |                            |
| Property tax revenue                      | 202,247                    |
| Operating transfers from the general fund | <u>100,000</u>             |
| Total non-operating revenues              | <u>302,247</u>             |
| <b>CHANGES IN NET ASSETS</b>              | 211,823                    |
| <b>NET ASSETS:</b>                        |                            |
| <b>BEGINNING OF YEAR</b>                  | <u>2,248,402</u>           |
| <b>END OF YEAR</b>                        | <u><u>\$ 2,460,225</u></u> |

See accompanying notes to financial statements.

## Statement I

## CITY OF HARRAHAN, LOUISIANA

Proprietary Fund  
Statement of Cash Flows

For the year ended December 31, 2009

|   | Sewer<br>Fund              |
|---|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                            |
| Cash received from customers  | \$ 433,888                 |
| Cash paid to suppliers of goods or services   | <u>(657,355)</u>           |
| Net cash used in operating activities   | <u>(223,467)</u>           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                            |
| Payment on loan   | (50,000)                   |
| Transfer from General Fund  | 100,000                    |
| Taxes received  | <u>202,246</u>             |
| Net cash provided by capital and related financing activities                         | <u>252,246</u>             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                            |
| Purchase of equipment   | <u>(17,458)</u>            |
| Net cash used in investing activities   | <u>(17,458)</u>            |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                      | 11,321                     |
| <b>CASH AND CASH EQUIVALENTS:</b>   |                            |
| <b>BEGINNING OF YEAR</b>  | <u>4,202</u>               |
| <b>END OF YEAR</b>  | <u><u>\$ 15,523</u></u>    |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH<br/>USED IN OPERATING ACTIVITIES:</b> |                            |
| Operating loss  | \$ (90,424)                |
| Adjustments to reconcile operating loss to<br>net cash used in operating activities   |                            |
| Depreciation  | 123,395                    |
| Decrease in accounts receivable   | 14,873                     |
| Increase in accounts payable and accrued expenses                                     | <u>(271,311)</u>           |
| Net cash used in operating activities   | <u><u>\$ (223,467)</u></u> |
| <b>SUPPLEMENTAL CASH FLOW DISCLOSURE</b>  |                            |
| Non-cash credit from Veolia on outstanding invoices                                   | <u><u>\$ 187,755</u></u>   |

See accompanying notes to financial statements.

## CITY OF HARAHAH, LOUISIANA

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

#### **(1) Summary of Significant Accounting Policies**

The City of Harahan, Louisiana (the City) was incorporated under the provisions of the State of Louisiana Lawrason Act in 1920 as a village with a population then of 500 people and an area of 2.1 square miles. It was classified as a city in 1953 with a population of over 10,000 people. The City's current population is approximately 9,069 people.

The City's financial statements include the accounts of all City operations. The City's operations include police and fire protection, waste collection, parks, recreation, public works and general administrative services. In addition, the City owns and operates a local sewer system.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

##### **(a) Reporting Entity**

The City's financial statements include operations of all activities over which the City exercises oversight responsibility. Oversight responsibility is demonstrated through financial interdependency, selection of governing authority, ability to significantly influence operations, and accountability for fiscal matters and, as such, the City is a reporting entity.

For financial reporting purposes, the City includes all funds and account groups that are controlled by or dependent on the Mayor and the City's Council.

##### **(b) Basis of Presentation**

The accompanying financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Government Accounting standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

##### **(c) Fund Accounting**

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The funds of the City are classified into two categories: governmental and proprietary. Each category in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follows:

**CITY OF HARAHAN, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

(1) **Summary of Significant Accounting Policies (continued)**

(c) ***Fund Accounting (Continued)***

**Governmental Fund Types**

Governmental funds are used to account for the City's expendable financial resources and related liabilities (except those accounted for in proprietary funds). The measurement focus is based upon the determination of changes in financial position, rather than net income determination. The following are the City's governmental fund types:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Currently, sales tax proceeds flow through the special revenue fund, first to meet debt service requirements and then to the general fund.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of capital facilities (other than those financed by Proprietary Funds).

**Proprietary Fund Type**

Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is based upon the determination of net income and capital maintenance. The City's sole proprietary fund is Sewerage District No. 1 (the District), an enterprise fund.

Enterprise Fund - This fund is used to account for operations of the District where:  
(a) it is financed and operated in a manner similar to a private business enterprise, and  
(b) the periodic determination of net income is appropriate.

(d) ***Basis of Accounting/Measurement focus***

**Government-Wide Financial Statements (GWFS)**

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. The Statement of Net Assets and the Statement of Activities were prepared using the economic resources management focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from the exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Non-Exchange Transactions".

**CITY OF HARAHAN, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**(1) Summary of Significant Accounting Policies (continued)**

***(d) Basis of Accounting/Measurement focus (Continued)***

Program revenues include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions; program revenues reduce the cost of the function to be financed from the City's general revenues. Charges for services consist primarily of licenses, franchise fees, and sanitation services. Operating grants and contributions primarily consists of grants/taxes for the operation of the police and fire departments. Capital grants and contributions primarily consist of funding from the State for police equipment and playground equipment.

**Fund Financial Statements (FFS)**

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported as a separate column. The major funds reported are the General Fund, Sales Tax fund, Debt Sinking Fund, and the Debt Reserve Fund. Non-major funds are aggregated and presented in a single column. The City has only one non-major fund, the Capital Projects fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing resources) and decreases (expenditures and other financing uses) in net current assets.

Specifically, governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized as a liability when incurred. Principal and interest on general long-term debt is recognized when due.

Property taxes are recognized as revenue in the year for which taxes have been levied and collected. Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The City's proprietary fund, the District, is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Based on historical collection experience, no allowance for estimated uncollectible receivables is recorded.

**CITY OF HARAHAN, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**(1) Summary of Significant Accounting Policies (continued)**

***(d) Basis of Accounting/Measurement focus (Continued)***

The City's proprietary fund applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements.

***(e) Cash***

Cash includes amounts on hand and on deposit at financial institutions.

***(f) Capital Assets***

Land, building and improvements, furniture and equipment are recorded as expenditures in the governmental or business-type activities columns in the government wide financial statements. Capital assets are recorded at historical cost or estimated historical cost, if actual historical cost is not available. Donated assets are valued at their estimated market value on the date of donation. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000. GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, and traffic signals. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The City is reporting infrastructure assets on a prospective basis.

The cost of normal maintenance and repairs that do not add to the value for the asset or materially extend asset lives are not capitalized. Improvements are capitalized over the remaining useful lives of the assets.

Capital assets are depreciated over their estimated useful lives. The estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives.

|                           |             |
|---------------------------|-------------|
| Building and improvements | 10-39 years |
| Computer equipment        | 5 years     |
| Furniture and fixtures    | 7-10 years  |
| Other equipment           | 5-15 years  |
| Transportation equipment  | 5-10 years  |
| Infrastructure            | 25 years    |
| Sewer collection system   | 20-75 years |
| Sewer treatment plant     | 10-50 years |

**CITY OF HARAHAN, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**(1) Summary of Significant Accounting Policies (Continued)**

***(g) Property, Plant and Equipment - Proprietary Fund***

Property, plant and equipment used by the proprietary fund is stated at cost. Contributed assets are recorded at fair market value at the time received. Net interest costs are capitalized on projects during the construction period. Depreciation is calculated using the straight-line method over the estimated useful lives.

***(h) Accrued Vacation***

The City's policy permits employees to accumulate a limited amount of earned but unused vacation benefits. Benefits are accrued in the period they are earned. An employee has a probationary period of 3 months before any vacation time can be earned. For all employees with 1 year of continuous service, the City allows 1 week of vacation to be earned per year. For employees with between 2 and 5 years of continuous service, the City allows 2 weeks vacation time per year. For employees with 6-10 years of employment, 3 weeks of vacation time per year is earned. For employees with 10 years or more of continuous service, 4 weeks of vacation pay is earned per year. Earned vacation time may be carried forward, not to exceed 90 days of earned vacation time. Accrued vacation pay is recorded as an expenditure in the general fund when paid.

At December 31, 2009, employees of the City have accumulated and vested \$305,309 of compensated absence benefits. Of this portion \$28,401 is the current portion and is expected to be paid in 2010.

***(i) Fund Equity***

Reserved fund balance and retained earnings indicate that a portion of fund equity legally is segregated for specific purposes. Designated fund balance indicates that portion of fund equity for which the City has made tentative plans.

***(j) Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

**(2) Budgetary Procedures and Budgetary Accounting**

The City's procedures in establishing the budgetary data included in the general purpose financial statements are as follows:

- (1) Prior to December 1, the Mayor submits to the City's Council a proposed operating line item budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

**CITY OF HARAHAN, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**(2) Budgetary Procedures and Budgetary Accounting (Continued)**

- (2) Public hearings are conducted in the City to obtain taxpayer comments.
- (3) Prior to January 1, the budget is legally adopted through passage of an appropriation ordinance by the Council.
- (4) The City Council must approve transfers of budgeted amounts between line items within a department and any revisions that alter the total expenditures of any fund or department.
- (5) Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Project-length financial plans are adopted for the Capital Project Funds and are used as an expenditure control device.
- (6) The budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). All unencumbered and unexpended appropriations lapse at year end.
- (7) As required by state law, when actual revenues within a fund are failing to meet estimated annual budgeted revenue by five percent or more, and/or actual expenditures within a fund are exceeding estimated budgeted expenditures by five percent or more, a budget amendment to reflect such changes is adopted in an open meeting.

**(3) Cash**

At December 31, 2009, the City had \$3,047,012 in demand deposits.

The bank balances and collateralization for deposit at December 31, 2009 are as follows:

|                              |                     |
|------------------------------|---------------------|
| Total bank balances          | \$ <u>2,881,819</u> |
| Federal depository insurance | 250,000             |
| Pledged securities           | <u>3,732,485</u>    |
| Total collateral             | \$ <u>3,982,485</u> |
| Collateral – excess          | \$ <u>1,100,666</u> |

Louisiana Revised Statutes authorize the City to invest in United States bonds, treasury notes, certificates or other obligations of the United States of America, or time certificates of deposit of state banks organized under Louisiana laws and national banks having principal offices in the State. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it under state law. All deposits are secured by Federal depository insurance or the pledge of securities held by the pledging banks agent in the City's name.

**CITY OF HARRAHAN, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**(4) Property Taxes**

Property taxes on real and personal property are levied by the City as an enforceable lien on the property as of January 1; the taxes are payable on December 1, and are delinquent on January 1.

The assessed value of the property is determined by the Jefferson Parish assessor's office. The assessed value at January 1, 2009, upon which the 2009 levies were based, was \$77,030,825. The combined 2009 tax rate was \$15.81 per \$1,000 of assessed valuation. Of this amount, \$13.15 was available for general operations and \$2.66 was available for sewerage operations and maintenance.

**(5) Accounts Receivable**

Accounts receivable at December 31, 2009 consisted of the following:

|  |                   |
|--|-------------------|
| Federal Emergency Management Agency    | \$ 62,685         |
| Sales and use taxes                    | 102,932           |
| Franchise fees                         | 96,194            |
| Video poker                            | 19,811            |
| Sanitation services                    | 33,758            |
| Other                                  | <u>51,320</u>     |
| Total governmental receivables         | \$ 366,700        |
| Sanitation services – proprietary fund | <u>50,838</u>     |
| Total government wide receivables      | <u>\$ 417,539</u> |

**CITY OF HARRAHAN, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**(6) Property, Plant and Equipment**

A summary of changes in general fixed assets is as follows:

|                                      | <b><u>January 1,<br/>2009</u></b> | <b><u>Additions</u></b> | <b><u>Deletions</u></b> | <b><u>December 31,<br/>2009</u></b> |
|--------------------------------------|-----------------------------------|-------------------------|-------------------------|-------------------------------------|
| Land, land improvement and buildings | \$ 2,590,402                      | \$ 206,285              | \$ -                    | \$ 2,796,687                        |
| Infrastructure assets                | 224,471                           | 423,559                 | -                       | 648,030                             |
| Transportation equipment             | 1,874,482                         | 14,680                  | (128,283)               | 1,760,879                           |
| Other equipment                      | 974,570                           | 52,748                  | (23,046)                | 1,004,272                           |
| Furniture and fixtures               | 57,297                            | 1,425                   | -                       | 58,722                              |
| Computer equipment                   | 302,295                           | 5,146                   | -                       | 307,441                             |
| Total asset cost                     | <u>6,023,517</u>                  | <u>703,843</u>          | <u>(151,329)</u>        | <u>6,576,031</u>                    |
| Less: Accumulated depreciation       |                                   |                         |                         |                                     |
| Land, land improvement and buildings | (1,164,896)                       | (93,644)                | -                       | (1,258,540)                         |
| Infrastructure assets                | (17,958)                          | (24,148)                | -                       | (42,106)                            |
| Transportation equipment             | (1,482,704)                       | (174,850)               | 123,883                 | (1,533,671)                         |
| Other equipment                      | (659,237)                         | (95,259)                | 20,838                  | (733,658)                           |
| Furniture and fixtures               | (21,359)                          | (7,270)                 | -                       | (28,629)                            |
| Computer equipment                   | (113,667)                         | (56,310)                | -                       | (169,977)                           |
| Total accumulated depreciation       | <u>(3,459,821)</u>                | <u>(451,481)</u>        | <u>144,721</u>          | <u>(3,766,581)</u>                  |
| Net                                  | <u>\$ 2,563,697</u>               | <u>\$ (252,362)</u>     | <u>(6,608)</u>          | <u>\$ 2,809,450</u>                 |

A summary of changes in proprietary fund type property, plant and equipment is as follows:

|                                | <b><u>January 1,<br/>2009</u></b> | <b><u>Additions</u></b> | <b><u>Deletions</u></b> | <b><u>December 31,<br/>2009</u></b> |
|--------------------------------|-----------------------------------|-------------------------|-------------------------|-------------------------------------|
| Land                           | \$ 7,121                          | \$ -                    | \$ -                    | \$ 7,121                            |
| Rights of way                  | 6,606                             | -                       | -                       | 6,606                               |
| Sewerage collection system     | 3,858,719                         | -                       | -                       | 3,858,719                           |
| Sewerage treatment plant       | 1,235,341                         | 17,458                  | -                       | 1,252,799                           |
| Vehicles                       | 26,230                            | -                       | -                       | 26,230                              |
| Total asset cost               | <u>5,134,017</u>                  | <u>17,458</u>           | <u>-</u>                | <u>5,151,475</u>                    |
| Less: Accumulated depreciation |                                   |                         |                         |                                     |
| Sewerage collection system     | (1,669,219)                       | (64,365)                | -                       | (1,733,584)                         |
| Sewerage treatment plant       | (795,531)                         | (59,030)                | -                       | (854,561)                           |
| Vehicles                       | (26,230)                          | -                       | -                       | (26,230)                            |
| Total accumulated depreciation | <u>(2,490,980)</u>                | <u>(123,397)</u>        | <u>-</u>                | <u>(2,614,375)</u>                  |
| Net                            | <u>\$ 2,643,037</u>               | <u>\$ (105,939)</u>     | <u>\$ -</u>             | <u>\$ 2,537,100</u>                 |

**CITY OF HARAHAN, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**(7) Changes in Long-term Obligations**

A summary of changes in long-term obligations are as follows for the year ended December 31, 2009:

|                     | Governmental Funds  |                   |                   |                      | Enterprise Fund |                     |
|---------------------|---------------------|-------------------|-------------------|----------------------|-----------------|---------------------|
|                     | Special Community   |                   |                   |                      | Loan Payable    | Total               |
|                     | Sales Tax Bonds     | Disaster Loan     | Capital Leases    | Compensated Absences |                 |                     |
| January 1           | \$ 3,685,000        | \$ 700,000        | \$ 401,967        | \$276,909            | \$ 50,000       | \$ 5,113,876        |
| Additions           | -                   | -                 | -                 | 28,402               | -               | 28,402              |
| Reductions          | (190,000)           | -                 | (112,745)         | -                    | (50,000)        | (352,745)           |
| December 31         | <u>\$ 3,495,000</u> | <u>\$ 700,000</u> | <u>\$ 289,222</u> | <u>\$305,311</u>     | <u>\$ -</u>     | <u>\$ 4,789,533</u> |
| Due within one year | <u>\$ 200,000</u>   | <u>\$ -</u>       | <u>\$ 76,280</u>  | <u>\$ 28,402</u>     | <u>\$ -</u>     | <u>\$ 304,682</u>   |

**a) Sales Tax Bonds**

Sales tax refunding and improvement bonds, payable at December 31, 2009, are the following:

|  |                     |
|--|---------------------|
| \$550,000 2007 Sales Tax Refunding and Public Improvement Bonds due in monthly installments ranging from \$35,000 to \$70,000 including interest through March 1, 2017, at 6.10%           | \$ 465,000          |
| \$3,085,000 2006 Sales Tax Refunding and Public Improvement Bonds due in monthly installments ranging from \$15,000 to \$270,000 including interest through June 1, 2024, at 4.25% - 4.60% | \$ 3,030,000        |
| Total  | <u>\$ 3,495,000</u> |

During the year ending December 31, 2006, new debt was issued and the proceeds were used for the purpose of defeasing and refunding the callable maturities of the Issuer's outstanding Refunding and Public Improvement Bonds, Series 1999 and paying the costs of issuance. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from the City. As of December 31, 2009, the \$3,750,000 1999 Sales Tax Refunding and Public Improvement Bonds which were defeased during the year ending 2006 have an outstanding balance of \$2,825,000.

**CITY OF HARAHAN, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**(7) Changes in Long-term Obligations (continued)**

**a) Sales Tax Bonds (continued)**

The annual requirements to amortize all debt outstanding as of December 31, 2009 including interest payments of \$1,242,679 are as follows:

|           | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|-----------|---------------------|---------------------|---------------------|
| July 15,  |                     |                     |                     |
| 2010      | 200,000             | 157,365             | 357,365             |
| 2011      | 205,000             | 147,834             | 352,834             |
| 2012      | 220,000             | 137,831             | 357,831             |
| 2013      | 220,000             | 127,464             | 347,464             |
| 2014      | 235,000             | 116,622             | 351,622             |
| 2015-2019 | 1,180,000           | 409,781             | 1,589,781           |
| 2020-2024 | 1,235,000           | 145,783             | 1,380,783           |
|           | <u>\$ 3,495,000</u> | <u>\$ 1,242,680</u> | <u>\$ 4,737,680</u> |

The City is in compliance with their debt covenants at December 31, 2009 and 2008.

The City is subject to the Municipal Finance Law of the State of Louisiana, which limits the amount of net bonded debt (exclusive of revenue and special assessment bonds) the City may have outstanding up to 10 percent of the assessed valuation. The statutory debt limit and the amount available for general obligation borrowing as of December 31, 2009 is \$7,703,083.

**b) Capital Leases**

**Capital lease -- fire truck**

During 2005, the City entered into a capital lease to refinance the existing fire truck lease and purchase additional vehicles and equipment for the fire department. During the year ended December 31, 2009, included in public safety-fire expenditures are principal payments of \$55,174 and interest payments of \$19,244. This capital lease is secured by a security interest in the fire vehicles and equipment purchased.

**CITY OF HARAHAN, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

(7) **Changes in Long-term Obligations (continued)**

**b) Capital Leases**

Lease terms, at an interest rate of 5.39%, are as follows:

|                     | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|---------------------|-------------------|------------------|-------------------|
| <u>December 31,</u> |                   |                  |                   |
| 2010                | \$ 58,148         | \$ 16,270        | \$ 74,418         |
| 2011                | 50,839            | 13,136           | 63,975            |
| 2012                | 53,579            | 10,396           | 63,975            |
| 2013                | 35,667            | 7,508            | 43,174            |
| 2014                | 37,589            | 5,585            | 43,174            |
| 2015-2017           | <u>66,032</u>     | <u>5,714</u>     | <u>71,746</u>     |
|                     | <u>\$ 301,854</u> | <u>\$ 58,609</u> | <u>\$ 360,462</u> |

Included in transportation equipment and other equipment is \$684,338 for the fire truck, fire vehicles, and fire equipment subject to the capital lease. The accumulated depreciation of the equipment was \$609,639 and \$533,108 at December 31, 2009 and 2008 respectively.

Capital lease – police vehicles

During 2005, the City entered into a capital lease for the purchase of five Crown Victoria police vehicles with principal payments beginning in October 2005. For the years ended December 31, 2009 and 2008, included in capital outlay expenditures are principal payments of \$21,173 and \$20,174 and interest payments of \$1,048 and \$2,047, respectively. Interest is due annually with each lease payment. This capital lease is secured by a security interest in the police vehicles.

Included in transportation equipment is \$101,137 for the police vehicles subject to the capital lease. The accumulated depreciation of the equipment was \$84,280 and \$64,053 at December 31, 2009 and 2008. The capital lease was paid in full during 2009.

Capital lease – John Deere backhoe

During 2005, the City entered into a capital lease for the purchase of a John Deere backhoe with principal payments beginning in June 2005. For the years ended December 31, 2009 and 2008, included in general government-other expenditures are principal payments of \$10,398 and \$9,916 and interest payments of \$482 and \$964, respectively. This capital lease is secured by a security interest in the backhoe.

Lease terms, at an interest rate of 4.75%, require final payments of \$4,533 (\$4,480 in principal and \$53 in interest) during the year December 31, 2010.

Included in other equipment is \$48,500 for the backhoe subject to the capital lease. The accumulated depreciation of the equipment was \$44,458 and \$34,758 at December 31, 2009 and 2008.

**CITY OF HARRAHAN, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**(7) Changes in Long-term Obligations (continued)**

**Capital lease – F250's**

During 2006, the City entered into a capital lease for the purchase of two F250 vehicles with principal payments beginning in July 2006. For the years ended December 31, 2009 and 2008 included in general government-other expenditures are principal payments of \$12,216 and \$11,417 and interest payments of \$855 and \$1,654. This capital lease is secured by a security interest in the vehicles. The capital lease was paid in full during the year ended December 31, 2009.

Included in Transportation equipment is \$52,284 for the two F250 vehicles subject to the capital lease. The accumulated depreciation of the equipment was \$36,599 and \$26,142 at December 31, 2009 and 2008.

**Capital lease – Ford Expeditions**

During 2008, the City entered into a capital lease for the purchase of two Ford Expedition vehicles with principal payments beginning in March 2008. For the year ended December 31, 2009 included in general government-other expenditures are principal payments of \$13,303. This capital lease is secured by a security interest in the vehicles.

Included in Transportation equipment is \$58,760 for the two Ford Expedition vehicles subject to the capital lease. The accumulated depreciation of the equipment was \$23,504 and \$11,752 at December 31, 2009 and 2008.

Lease terms, at an interest rate of 6.25%, are as follows:

|                     | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
|---------------------|------------------|-----------------|------------------|
| <u>December 31,</u> |                  |                 |                  |
| 2010                | 14,134           | 1,822           | 15,956           |
| 2011                | 15,017           | 939             | 15,956           |
|                     | <u>\$ 29,151</u> | <u>\$ 2,761</u> | <u>\$ 31,912</u> |

**c) Enterprise Fund Loan Payable**

During 2000, the City entered into a long-term agreement with the management company administering the Sewer Fund to provide for capital and maintenance improvements. In return, the City committed the Sewer Fund to repay a maximum of \$500,000 to the management company without any stated interest. During the year ended December 31, 2009, the final payment of \$50,000 was made. Therefore, at December 31, 2009, the balance due under this agreement has been paid in full.

**CITY OF HARAHAN, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**(7) Changes in Long-term Obligations (continued)**

**d) Special Community Disaster Loan Payable**

During December 2005, the City entered into a long-term agreement with the Federal Emergency Management Agency under the Community Disaster Loan Act of 2005 as a result of the major disaster declaration of August 29, 2005 for Hurricane Katrina. The City did not receive any funds for the CDL loans in 2009 and 2008. Of the \$965,525 total funds available, the balance is \$700,000 as of December 31, 2009 and 2008. The loan is for a term of five years, which may be extended, at an interest rate of 2.69%. Simple interest accrues from the date of each disbursement. Payments of principal and interest are deferred until the end of the five year period, November 2010. Accrued interest at December 31, 2009 is \$70,561.

**(8) Equity**

Designated Fund Balance - Capital Projects - This amount has been designated for future capital improvements.

**(9) Interfund Balances**

Individual fund interfund receivable and payable balances as of December 31, 2009 were as follows:

|                       | <u>Due from<br/>other funds</u> | <u>Due to<br/>other funds</u> |
|-----------------------|---------------------------------|-------------------------------|
| General fund          | \$ 367,847                      | \$ -                          |
| Sales tax fund        | -                               | 73,954                        |
| Bond sinking fund     | -                               | 160,000                       |
| Bond reserve fund     | -                               | 573                           |
| Capital projects fund | -                               | 133,320                       |
|                       | <u>\$ 367,847</u>               | <u>\$ 367,847</u>             |

Interfund transfers for the year ended December 31, 2009 were as follows:

|                              | <u>Transfers in</u> | <u>Transfers<br/>Out</u> |
|------------------------------|---------------------|--------------------------|
| General fund                 | \$ 1,001,465        | \$ 598,934               |
| Sales tax fund               | -                   | 1,389,537                |
| Bond sinking fund            | 548,072             | 160,000                  |
| Capital projects fund        | 498,934             | -                        |
| Enterprise fund – Sewer fund | 100,000             | -                        |
|                              | <u>\$ 2,148,471</u> | <u>\$ 2,148,471</u>      |

**CITY OF HARRAHAN, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**(10) Pension Plans**

**a.) Municipal Police Employees' Retirement Plan**

**Plan Description**

For police personnel, the City contributes to the Municipal Police Employee' Retirement Plan, a cost sharing multi-employer defined benefit plan administered by the Municipal Police Employees' Retirement System (MPERS). MPERS provides retirement, death, and disability benefits to plan members and beneficiaries in accordance with state statutes. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Municipal Police Employees' Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809-7601.

**Funding Policy**

Plan members are required to contribute 7.5% of their annual covered salary and the City is required to contribute 13.75%. Effective July 1, 2008, the City's required contribution was adjusted to 9.5%. The contribution requirements of the plan members and the City are established and may be amended by the MPERS Board of Trustees in accordance with state statute. The City's contribution for the years ended December 31, 2009, 2008, and 2007 were \$70,512, \$80,027, and \$92,230, respectively, equal to the required contributions for each year.

**b.) Louisiana Firefighters' Retirement Plan**

**Plan Description**

For firefighting personnel, the City contributes to the Louisiana Firefighters' Retirement Plan, a cost sharing multiple employer defined benefit plan administered by the Louisiana Firefighters' Retirement System (LFRS). LFRS provides retirement, death, and disability benefits in accordance with state statutes. LFRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to Louisiana Fire Firefighters' Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana, 70809.

**Funding Policy**

Plan members are required to contribute 8.0% of their annual salary and the City is required to contribute 13.75%. Effective July 1, 2008, the City's required contribution was adjusted to 12.5%. The contribution requirements of the plan members and the City are established and may be amended by LFRS Board of Trustees in accordance with state statute. The City's contributions for the years ended December 31, 2009, 2008, and 2007 were \$49,811, \$41,393, and \$41,214, respectively, equal to the required contributions for each year.

Other City employees are not covered by a pension plan.

**CITY OF HARRAHAN, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

**(11) Commitments and Contingencies**

The City is a defendant in several lawsuits. Damages are generally covered by insurance less deductible for risks retained by the City. The City does not expect any material adverse impact relating to these suits in excess of amounts currently accrued.

The City entered into an agreement with Veolia Water North America Operating Services, LLC (formerly PSG) on February 15, 1996 to provide for operation and maintenance of the City's wastewater treatment plant and wastewater collection facilities. The term of the agreement was for an initial period of 2 years commencing on March 1, 1996, with automatic renewals for four additional terms of 2 years for a total of 10 years, ending March 1, 2006.

Upon expiration of the service agreement, the City and Veolia Water have agreed on a month to month service agreement. On April 20, 2010, the City of Harahan signed a new contract with Veolia Water North America Operating Services, LLC (formerly PSG) for 5 years.

On October 15, 2009, the City of Harahan and Veolia Water North America Operating Services, LLC (formerly PSG) signed a settlement agreement to provide the City with a credit in the amount of \$187,755, against outstanding invoices that are currently due and payable by the City to Veolia under the contract.

**(12) Natural Disasters**

On August 29, 2005, Hurricane Katrina, a major hurricane, struck southeastern Louisiana and the Mississippi and Alabama Gulf Coast. During the years ended December 31, 2009 and 2008, the City incurred expenses of \$45,587 and \$70,515, which the City recovered through the Federal Emergency Management Agency (FEMA).

In September 2008, Hurricane Gustav struck southeastern Louisiana. During the years ended December 31, 2009 and 2008, the City incurred expenses of \$15,632 and \$306,856 primarily relating to debris removal following Hurricane Gustav. As of December 31, 2009, included in accounts receivable is \$39,699 relating to these expenditures.

**(13) Restatement of Net Assets**

The following restatement of prior year net assets was noted:

Government wide financial effect:

|   |                     |
|---|---------------------|
| Net assets as previously reported – government wide | \$ 2,806,300        |
| Deferred revenue                                    | 115,372             |
| Net assets as restated – government wide            | <u>\$ 2,921,672</u> |

Fund level financial effect:

|   |                     |
|---|---------------------|
| Fund balance as previously reported – fund financial statements | \$ 1,927,647        |
| Deferred revenue  | 115,373             |
| Fund balance as restated – fund financial statements            | <u>\$ 2,043,020</u> |

## CITY OF HARRAHAN, LOUISIANA

General Fund  
Budget Comparison Schedule (GAAP Basis)

For the year ended December 31, 2009

|   | Initial<br>Budget | Final<br>Budget | Actual       | Variance -<br>Favorable<br>(Unfavorable) |
|---|-------------------|-----------------|--------------|--|
| <b>REVENUES</b>   |                   |                 |              |  |
| Ad valorem taxes  | \$ 976,000        | \$ 1,013,000    | \$ 999,552   | \$ (13,448)                              |
| Intergovernmental   | 865,062           | 865,062         | 873,526      | 8,464                                    |
| Fees, licenses and permits  | 850,900           | 879,900         | 860,380      | (19,520)                                 |
| Fines and forfeitures   | 780,000           | 780,000         | 734,164      | (45,836)                                 |
| Charges for services  | 569,100           | 569,100         | 583,579      | 14,479                                   |
| Gaming revenue  | 132,000           | 132,000         | 171,833      | 39,833                                   |
| Interest income   | 40,000            | 40,000          | 13,124       | (26,876)                                 |
| Other   | 54,000            | 54,000          | 167,831      | 113,831                                  |
| Total revenues  | 4,267,062         | 4,333,062       | 4,403,989    | 70,927                                   |
| <b>EXPENDITURES</b>   |                   |                 |              |  |
| General government - FEMA   | -                 | 45,587          | 45,587       | -  |
| General government - other  | 1,375,000         | 1,386,000       | 1,316,019    | 69,981                                   |
| Public safety - police  | 1,519,000         | 1,519,000       | 1,661,023    | (142,023)                                |
| Public safety - fire  | 927,000           | 964,000         | 975,700      | (11,700)                                 |
| Public works  | 275,000           | 300,000         | 301,717      | (1,717)                                  |
| Sanitation  | 628,000           | 640,000         | 635,848      | 4,152                                    |
| Recreation  | 255,000           | 262,000         | 265,853      | (3,853)                                  |
| Capital outlay  | -                 | 254,855         | 254,855      | -  |
| Total expenditures  | 4,979,000         | 5,371,442       | 5,456,602    | (85,160)                                 |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b>                                      | (711,938)         | (1,038,380)     | (1,052,613)  | (14,233)                                 |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                   |                 |              |  |
| Operating transfers in  | 1,300,000         | 1,200,000       | 1,001,465    | (198,535)                                |
| Operating transfers out   | (230,000)         | (330,000)       | (598,934)    | (268,934)                                |
| Total other financing sources (uses)  | 1,070,000         | 870,000         | 402,531      | (467,469)                                |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>AND OTHER SOURCES OVER<br/>EXPENDITURES AND OTHER USES</b> | 358,062           | (168,380)       | (650,082)    | (481,702)                                |
| <b>FUND BALANCE:</b>  |                   |                 |              |  |
| AS RESTATED - BEGINNING OF YEAR   | 2,043,020         | 2,043,020       | 2,043,020    | -  |
| END OF YEAR   | \$ 2,401,082      | \$ 1,874,640    | \$ 1,392,938 | \$ (481,702)                             |

See accompanying independent auditors' report.

## CITY OF HARAHAN, LOUISIANA

Sales Tax Fund  
Budget Comparison Schedule (GAAP Basis)

For the year ended December 31, 2009

|  | Initial<br>Budget | Final<br>Budget | Actual       | Variance -<br>Favorable<br>(Unfavorable) |
|--|-------------------|-----------------|--------------|--|
| <b>REVENUES</b>  |                   |                 |              |  |
| Sales and use tax revenue  | \$ 1,200,000      | \$ 1,200,000    | \$ 1,389,266 | \$ 189,266                               |
| Interest income  | -                 | -               | 127          | 127                                      |
| Total revenues   | 1,200,000         | 1,200,000       | 1,389,393    | 189,393                                  |
| <b>EXPENDITURES</b>  |                   |                 |              |  |
| Total expenditures   | -                 | -               | -            | -  |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b>  | 1,200,000         | 1,200,000       | 1,389,393    | 189,393                                  |
| <b>OTHER FINANCING USES</b>  |                   |                 |              |  |
| Operating transfers out  | (1,200,000)       | (1,200,000)     | (1,389,537)  | 189,537                                  |
| Total other financing uses   | (1,200,000)       | (1,200,000)     | (1,389,537)  | 189,537                                  |
| <b>EXCESS OF REVENUES<br/>AND OTHER SOURCES OVER<br/>EXPENDITURES AND OTHER USES</b> | -                 | -               | (144)        | (144)                                    |
| <b>FUND BALANCE:</b>   |                   |                 |              |  |
| BEGINNING OF YEAR  | 15,669            | 15,669          | 15,669       | -  |
| END OF YEAR  | \$ 15,669         | \$ 15,669       | \$ 15,525    | \$ (144)                                 |

See accompanying independent auditors' report.

**Schedule 3**

**CITY OF HARRAHAN, LOUISIANA**

**Schedule of Compensation Paid to City Council Members**

**Year ended December 31, 2009**

|                                 |    |               |
|---------------------------------|----|---------------|
| Cindy Murray                    | \$ | 11,400        |
| Provino Mosca                   |    | 11,400        |
| Lawrence Landry (Mayor Pro Tem) |    | 11,400        |
| Tiffany Wilken                  |    | 11,400        |
| Timothy Baudier                 |    | 11,400        |
|                                 | \$ | <u>57,000</u> |

See accompanying independent auditors' report.



Postlethwaite  
& Netterville

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor and the City Council  
City of Harahan, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harahan (the City), as of and for the year ended December 31, 2009, and have issued our report thereon dated June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness as item 2009-1.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-1.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, the City Council and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Poellethwaite + Netterville*

Metairie, Louisiana  
June 30, 2010



**CITY OF HARRAHAN, LOUISIANA**  
**Harahan, Louisiana**

Schedule of Findings and Questioned Costs

Year ended December 31, 2009

- (1) Current Year Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

**Finding 2009-1 Misappropriation of cash receipts**

Criteria: Good internal controls over cash receipts require sufficient procedures to detect misappropriations. The City as a governmental entity follows certain state statutes including R.S. 24:523. An agency head of an auditee who has actual knowledge of any misappropriation of the public funds or assets of his agency shall immediately notify the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation. The district attorney, or other prosecutorial agency, notified of such misappropriation may request audit assistance from the legislative auditor with respect to the misappropriation.

Condition: An employee in the City's Traffic Court office is suspected and charged with taking cash payments for fines and tickets. Based on review of the Court's records, cash received was not deposited into the City's bank account. The employee was put on administrative leave. The City reported the fraud to the Harahan Police Department, Jefferson Parish District Attorney, and the Louisiana Legislative Auditor.

Effect: The City's funds appear to have been misappropriated. The City's Police Department charged the employee on June 25, 2010.

Recommendation: The City should review its policies and procedures to identify controls over the Court's cash receipt process.

Management Response: Management concurs with the finding. The Harahan Police Department has investigated the matter and on June 25, 2010, the Harahan Police Department made an arrest in the case. As of the report date, the Harahan Police Department has charged approximately \$3,000 was misappropriated from the City.

**CITY OF HARRAHAN, LOUISIANA**  
**Harahan, Louisiana**

Summary Schedule of Prior Audit Findings

Year ended December 31, 2009

- (2) Prior Year Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

**Finding 2008-1 Internal control over financial reporting and general ledger account reconciliations**

|                      |   |
|----------------------|---|
| Criteria:            | The City should be able to initiate, authorize, record, process or report data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.   |
| Condition:           | During the course of our audit procedures, we proposed adjusting entries to the general ledger to properly report the financials in accordance with U.S. generally accepted accounting principles. We noted that account reconciliations have not been prepared or maintained for significant general ledger accounts.  |
| Effect:              | Our involvement in the financial reporting process was required in order to report the financial statements in accordance with U.S. generally accepted accounting principles.   |
| Recommendation:      | The City should consider an increase in staffing or additional training of the existing accounting staff.   |
| Management Response: | The City agrees with the finding. The City determined that this finding was emphasized in the current year due to the general ledger conversion process, turnover in the financial director position, and the learning curve related to the new system. The City is in the process of training the current staff on the new system and will continue to provide training to the staff on financial reporting and general ledger account reconciliations. The City has also hired a Director of Finance. |
| Current Status:      | Item resolved.  |